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IN THE

Supreme Court of the United States

October Term, 1946

No. 680

CHAMPION SPARK PLUG COMPANY, A CORPORATION,
Petitioner,

vs.

PETER SANDERS, SAMUEL SANDERS AND HARRY SANDERS,
DOING BUSINESS AS THE PERFECT RECONDITION
SPARK PLUG COMPANY,
Respondents.

PETITION FOR WRIT OF CERTIORARI

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PETITION FOR WRIT OF CERTIORARI

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, Champion Spark Plug Company, prays that a writ of *certiorari* may issue to review the judgment of the Circuit Court of Appeals for the Second Circuit entered July 10, 1946 (R. 577), as modified by a supplemental *Per Curiam* opinion filed September 25, 1946 (R. 601), and by a second supplemental *Per Curiam* opinion filed October 18, 1946 (R. 603).

A certified transcript of the record in the case, including the proceedings in said Circuit Court of Appeals, is furnished herewith in compliance with Rule 38 of the Rules of this Court.

Summary Statement of Matter Involved

This is a suit brought by petitioner against respondents for infringement of petitioner's trade-mark "CHAMPION" for spark plugs, Certificate of Registration No. 92,950, dated August 12, 1913, renewed April 11, 1933, and for unfair competition in trade and an accounting of profits and damages.

Respondents sell to garages, dealers and service stations for resale to the motoring public under petitioner's trade-mark and type-marks spark plugs which were originally made and sold by petitioner under its trade-mark "CHAMPION," but which have been used and abandoned as worthless by car owners.

Respondents' plugs have been so changed and altered since their sale by petitioner, due to wear and respondents' so-called "repairing" operations, that the District Court found as a fact that "they have ceased to have a number of the functional and mechanical features which characterize new Champion spark plugs and cannot truthfully be referred to as Champion plugs as that term is used by plaintiff and known to the motoring public nor as Champion plugs of the type number marked thereon by plaintiff." (R. 524, Fact Finding 16.)

The District Court found respondents guilty of trade-mark infringement and ordered them to remove plaintiff's trade-mark and type marks from their altered plugs, to refrain from selling such plugs in cartons or containers on which the name CHAMPION or any imitation or abbreviation thereof or any of petitioner's type marks is

printed or displayed, and to further refrain from using petitioner's name or trade-mark in respondents' advertising. The Court did not pass upon the question of unfair competition, and denied an accounting. (See decree, R. 529.)

The Court of Appeals affirmed on the subjects of trade-mark infringement and the refusal of an accounting. It also held that respondents had been guilty of unfair competition, but notwithstanding the findings of trade-mark infringement and unfair competition that Court permitted respondents to retain petitioner's trade-mark and type-marks on their plugs (R. 583), to print them on the cartons and containers in which the plugs are packed for sale to the trade and the motoring public (R. 601), and to make use of them in their advertising (R. 603).

On a similar record and findings of fact substantially the same as those entered herein the Eighth Circuit Court of Appeals in *Champion Spark Plug Company vs. Reich*, 121 F. (2d) 769 (1941), held defendant guilty of trade-mark infringement and unfair competition, required him to remove plaintiff's trade-mark and type-marks from his plugs before they were returned to the market for resale to the motoring public, and enjoined him from printing the Champion trade-mark and type-marks on his cartons and containers. *Certiorari* was denied 314 U. S. 669; No. 587, October 20, 1941.

Jurisdiction

1. This suit arises in part under the Trade-Mark Laws of the United States, Judicial Code Section 24(7); 28 U. S. C. 41(7).

2. The jurisdiction of this Court is invoked under Section 240-(a) of the Judicial Code, as amended by Act of February 13, 1925 (28 U. S. C. Section 347).

3. The date of the decision of the Second Circuit Court of Appeals which modified the judgment entered by the District Court and which petitioner seeks to have reviewed was July 10, 1946. On petition of defendants rehearing was granted August 13, 1946 (R. 590), and on September 25, 1946, and October 18, 1946, the judgment of the District Court was further modified (R. 601, 603).

Questions Presented

The questions presented by the petition are—

1. Whether one who has been adjudged guilty of trade-mark infringement should be permitted to continue to use the infringed trade-mark if he accompanies the infringement with an explanatory statement indicating that the article is not the guaranteed product of the owner of the trade-mark.

2. Whether one who has been adjudged guilty of trade-mark infringement by the sale of used articles which have ceased to have a number of the functional and mechanical features which characterized the article when new should be permitted to continue such sales provided he places on the articles a statement indicating that they are used articles which have been "repaired" by him.

3. Whether one who has been adjudged guilty of trade-mark infringement and unfair competition by the sale of used and materially altered articles which bear the trade-mark and type-mark of the original manufacturer should be permitted to retain such marks in making future sales and to print them on the cartons and containers in which he sells such articles to the public, provided he accompanies the articles with an explanatory statement that the same are used articles which have been repaired by him.

4. Whether an accounting of profits can lawfully be

denied the owner of a trade-mark which has been persistently infringed after the infringer has been notified of his infringement by the owner of the mark and requested to desist, and has been adjudged to be an infringer.

Reasons for Granting the Writ

The discretionary power of this Court to grant a writ of *certiorari* herein is invoked on two grounds—

1. The record presents a question of law which never has been passed upon by this Court, *viz.*, whether a trade-marked product which has been discarded as worthless by the user and which has undergone mechanical and functional changes since it was manufactured and sold by the owner of the trade-mark can be salvaged and returned to the market by another for resale to the public under the original trade-mark, provided he attaches a statement to the article or to the package containing it, indicating merely that the contents is a used product which has been repaired by him.

2. There is a direct conflict between the decision of the Circuit Court of Appeals for the Second Circuit in this cause (R. 577) and that of the Circuit Court of Appeals for the Eighth Circuit in *Champion Spark Plug Company vs. Reich*, 121 F. (2d) 769, respecting the right of so-called "reconditioners" of used spark plugs of petitioner's original manufacture, which have ceased to have a number of the functional and mechanical features which characterized them when new, to sell such altered spark plugs to dealers, garages and service stations for resale to the motoring public under the original trade-mark and type-marks placed thereon by petitioner.

3. There is a direct conflict between the decision of the Circuit Court of Appeals in this cause (R. 601) and that of the Circuit Court of Appeals for the Eighth Cir-

cuit in *Champion Spark Plug Co. vs. Reich*, 121 F. (2d) 769, respecting the right of a so-called "reconditioner" of used spark plugs of petitioner's original manufacture, which have undergone changes in a number of functional and mechanical features since they were manufactured, to print petitioner's trade-mark and type-marks on the cartons and containers in which such altered plugs are packed for sale to the motoring public.

Wherefore, it is respectfully submitted that this petition for a writ of *certiorari* to the Circuit Court of Appeals for the Second Circuit should be granted.

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BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

Opinions of the Courts Below

The opinion of the District Court on final hearing is reported at 61 F. Supp. 247 and is printed in the record beginning at page 513. An earlier opinion of that Court on Motion for Preliminary Injunction is reported at 56 F. Supp. 782 and is printed beginning page 491 of the record.

The opinion of the Circuit Court of Appeals, filed July 10, 1946, appears in the record at pages 577 *et seq.* and is reported in 156 Fed. (2d) at page 488. The supplemental opinions of the same court on petition for rehearing, not yet reported, appear in the record at pages 601 and 603.

Jurisdiction

The facts supporting the jurisdiction of this Court are set forth in the petition, *supra*, page 5.

Cases believed to sustain jurisdiction are:

Bourjois & Co. vs. Katzel, 260 U. S. 689;
Prestonettes, Inc., vs. Coty, 264 U. S. 359;
Old Dearborn Distributing Co. vs. Seagrams Distillers Corp., 299 U. S. 183;
Fashion Originators' Guild of America vs. Federal Trade Commission, 312 U. S. 456, 457;
Mishawaka Rubber, etc., Co. vs. S. S. Kresge, 316 U. S. 203.

Statement of the Case

Petitioner and its predecessors in business had manufactured and sold spark plugs for automobiles under the trade-mark "CHAMPION" for more than thirty-five years prior to the filing of the complaint herein on April 12, 1944. Prior to that date nearly $20,000,000 had been expended in advertising the merits of Champion spark plugs and approximately one billion of them had been manufactured and sold.

On April 25, 1913, the word "CHAMPION" was registered as a trade-mark for spark plugs by one of petitioner's predecessors, Certificate No. 92,950, which was renewed April 11, 1933. (R. 29, 30.)

A large proportion of automobile owners have their cars serviced and spark plugs changed at garages and service stations, where worn-out plugs originally manufactured by petitioner and other manufacturers are removed and new ones substituted. No allowance on the purchase price of the new plugs is made for the old ones,

which are abandoned by their owners and find their way into trash barrels and junk boxes.

Scavengers collect these discarded plugs and sell them to respondents for a nominal sum. Such plugs are put through cleaning and so-called reconditioning operations which include the removal of burned and pitted portions of the electrodes (and in a substantial percentage of cases the substitution of side electrodes of different material), sandblasting the insulators, polishing the brass and covering the other metal parts with black paint, after which the plugs are returned to the market still bearing petitioner's trade-mark and type-marks, packed in cartons and containers on which such trade-mark and type-marks are stamped and which do not bear respondents' business name or address but on which is printed the slogan "Guaranteed Dependable" which has been printed on petitioner's packages for a great many years.

The District Court made the following fact findings:

(a) That practically all of the functional features of Champion spark plugs are located in the end which is screwed into the cylinder of the motor, commonly called the firing end of the plug (naming seven such features). (R. 520, Finding 5.)

(b) That each of respondents' forty plugs in evidence had been changed to such an extent since it was manufactured and sold by petitioner that it no longer responds to petitioner's manufacturing specifications and drawings in several of the features enumerated in Finding 5. (R. 523, Finding 11.)

(c) That in many of respondents' plugs the center electrode is more than 1/32 inch shorter than it was when the plugs were manufactured and sold by petitioner. (R. 523, Finding 12.)[1]

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[1] The proofs showed that shortening the center electrode to this extent so changed the operation of the motor in which the plugs were installed as to make acceptable for new car equipment Champion plugs which had been previously rejected by the engineering department of the car manufacturer. (R. 164-166.)

(d) That shortening the center electrode in a spark plug changes the location of the spark which ignites the charge of fuel in the motor cylinder and affects the heat range of the plug and the burning of the fuel. (R. 523, Finding 13.)

(e) That in 31 out of 40 respondents' plugs in evidence the configuration of the firing end of the insulator has been so changed as to destroy or materially impair a patented feature of those plugs as manufactured and sold by petitioner. (R. 523, Finding 15.)

(f) That by reason of the changes and alterations which have been made in respondents' plugs since they were manufactured and sold by petitioner they have ceased to have a number of the functional and mechanical features which characterize new Champion spark plugs and "cannot truthfully be referred to as Champion plugs as that term is used by plaintiff and known to the motoring public nor as Champion plugs of the type number marked thereon by plaintiff." (R. 524, Finding 16.)

(g) That petitioner's trade-mark and type-marks can be readily and cheaply removed from the insulators of its spark plugs without damage to the plugs or injury to employees who do the work, and that respondents have removed said trade-mark from some of their shipments to foreign countries. (R. 525, Finding 21.)

The Court of Appeals did not disturb any of these findings, but disagreed with the trial court as to the character of the relief to which petitioner is entitled.

ARGUMENT

The petition presents two points of law which never have been decided by this Court, *viz.*:

Point I. Whether one who has been adjudged to infringe a registered trade-mark and to be guilty of unfair competition with the owner thereof should be permitted to continue the acts complained of if he accompanies the infringing product with a collateral statement indicating that his product is not the guaranteed product of the owner of the mark.

Point II. Whether one who has been adjudged an infringer of a registered trade-mark should be relieved from the obligation to account for his profits under Section 19 of the Trade-Mark Act of 1905 (U. S. C. Title 15, Sec. 99) solely because the infringing article was originally made and sold and the trade-mark applied by the owner thereof.

Point I

The opinion of the District Court herein states (R. 513):

> "The cause is not essentially different from the cases of *Champion Spark Plug Co. vs. Emener*, 16 Fed. Supp. 816, and *Champion Spark Plug Co. vs. Reich*, 121 Fed. (2d) 769."

In both those cases the defendants were required to remove plaintiff's trade-mark and type-marks from their used and altered Champion plugs before returning them to the market to be sold to motorists. In the *Emener* case the Court did not specifically direct that defendant should not print plaintiff's trade-mark and type-marks on his cartons and containers, but that logically followed from the requirement that the marks be removed from the plugs.

The *Emener* case was not appealed. In the *Reich* case the Court of Appeals summarized the fact findings of the District Court (121 Fed. (2d) 773)[2] and reversed the decree of that Court, which had permitted defendant to retain plaintiff's trade-mark and type-marks on his plugs so long as he stamped on them the legend "Repaired by A. P. Co." The opinion further directed that defendant be enjoined from printing plaintiff's trade and type-marks on his cartons and containers, and the perpetual injunction entered by the District Court prevented defendant from using said marks in advertising his altered plugs for sale.

The fact findings in the *Reich* case were substantially the same as those in the present case. In reversing the District Court, the Appeal Court stated (p. 774):

> "* * * In view of the radical changes made in the spark plugs by defendant, he should not be permitted to use the trade-mark 'Champion' upon his 'repaired' spark plugs. This use of the trade-mark is not rendered collateral and explanatory by stamping the word 'Repaired' upon the hex of the plugs. Clearly the trade-mark left where it was placed by the plaintiff 'indicate(s) the goods' of plaintiff, and 'a casual purchaser might look no further and might be deceived.' *Prestonettes, Inc., vs. Coty, supra*, 264 U. S. at pages 368, 369, 44 S. Ct. at page 351, 68 L. Ed. 731. * * *
>
> "In the third place, defendant packs each of his repaired spark plugs in an individual carton on the end of which is printed: 'Repaired Spark Plug Make .... Size .... Type .....' In the blank after the word 'Make' he stamps or prints plaintiff's trade-mark 'Champion,' and after the word 'Type' the type number placed upon the enclosed spark plug by plaintiff when new. Since the court found that after being changed by the defendant's process the spark plugs 'cannot now truthfully be referred to * * * as

(2) Record in this Court No. 587, O. T. 1941, pp. 444-5.

> "Champion" plugs of the type number marked thereon by plaintiff,' it follows from the principles stated above that defendant is guilty of infringement when he stamps the trade-mark 'Champion' on the carton, and of unfair competition when he stamps plaintiff's type number thereon. He should be enjoined from so doing."

In the instant case the opinion of the Second Circuit Court of Appeals quotes from the same *Coty* decision of this Court as that cited in the foregoing quotation (264 U. S. 359), in support of its ruling that respondents may retain petitioner's trade-mark and type-marks on their altered plugs. (R. 582.)

The judgment of the District Court prescribed the form of collateral statement the defendants might print on their cartons, *viz.*,

> "Used Spark Plug(s) Originally Made by Champion Spark Plug Company Repaired and Made Fit for Use up to 10,000 Miles by Perfect Recondition Spark Plug Co., 1133 Bedford Avenue, Brooklyn, N. Y."

The supplemental opinion of the Court of Appeals substitutes for this provision one permitting defendants to print plaintiff's trade-mark and type-marks on their cartons and to make use of them in their advertising material, "provided it is made clear that any plug referred to therein is used and reconditioned by the defendants." (R. 603.)

In the *Reich* case and in this case plaintiff conceded that defendants had a right to deal in the physical property of their plugs and to make some collateral use of the word "Champion" in an explanatory statement, but plaintiff insisted that under the decisions of this Court in the *Coty* and other cases the retention of its trade-mark on the plugs, even in connection with an explanatory statement

on the packages, was not a *collateral use* of the trade-mark.

The retention of petitioner's trade-mark on respondents' altered plugs is a trade-mark use (as decided by the Eighth Circuit Court of Appeals), not a collateral use (as decided by the Court of Appeals in this case) of the name "Champion." Such a trade-mark use of the name "Champion" is wholly inconsistent with the following statement of this Court in the *Coty* case (264 U. S. at page 368):

> "If the name of Coty were allowed to be printed in different letters from the rest of the inscription dictated by the District Court a casual purchaser might look no further and might be deceived."

The opinion of the Court of Appeals herein likewise disregards the distinction between ownership of the physical property in an article and ownership of the trade-mark and goodwill connected with it, so clearly pointed out by this Court in *Old Dearborn Distributing Co. vs. Seagrams Distillers' Corporation*, 299 U. S. 183. That case involved the right of defendant to resell a commodity, at less than established prices, under the trade-mark of the original manufacturer. The opinion states (p. 194):

> "• • • We are here dealing not with a commodity alone, but with a commodity *plus the brand or trade-mark* which it bears as evidence of its origin and of the quality of the commodity for which the brand or trade-mark stands. Appellants own the commodity; they do not own the mark or the goodwill that the mark symbolizes." (Emphasis ours.)

The fact that the mark was originally applied by its owner was likewise disregarded by this Court in *Bourjois & Co. vs. Katzel*, 260 U. S. 680, where defendant was dealing in the genuine product of the concern which owned the trade-mark in France and from which plaintiff purchased its own powders. In finding for plaintiff this Court stated (pp. 691-692):

"* * * There is no question that the defendant infringes the plaintiff's rights unless the fact that her boxes and powder are the genuine product of the French concern gives her a right to sell them in the present form.

"We are of opinion that the plaintiff's rights are infringed. * * *

"* * * *Ownership of the goods does not carry the right to sell them with a specific mark.*

"It is said that the trade-mark here is that of the French house and truly indicates the origin of the goods. But that is not accurate. It is the trade-mark of the plaintiff only in the United States and indicates in law, and, it is found, by public understanding, that the goods come from the plaintiff although not made by it.

* * * * *

"It stakes the reputation of the plaintiff upon the character of the goods. Mendenez vs. Holt, 128 U. S. 514." (Emphasis ours.)

The Court of Appeals modified the judgment of the District Court in two other respects. The District Court enjoined the sale of defendants' altered plugs unless and until (R. 530)—

(2) the metal shell of one-piece plugs and the metal shell and bushing nut of two-piece plugs have been completely covered with durable gray or brown or orange or green paint or lacquer, such as Duco;

(3) the word "REPAIRED," all in capital letters, has been stamped and impressed into one face of the hex portion of the metal shell in a size as large as said face will permit and of a depth sufficient to enable such indentations to retain enough white paint when the surplus white paint has been wiped from the surface, to distinctly display each letter of said word in white, and the indentations have been filled with a heavy white paint.

The Court of Appeals modified the first of these requirements so as to permit respondents to paint the metal parts of their plugs with aluminum paint, which would give them the appearance of new metal, and it modified the second requirement by permitting respondents to stamp the word "REPAIRED" or "USED" on the hex portion of the plugs in a contrasting color by means of an electrical hot plate. (R. 603.) The lack of permanency of such a method of stamping appears from the respondents' plugs in evidence, on which the word "RENEWED" had been so stamped. It appears from the testimony that markings so applied are scarcely legible. (R. 77, fols. 229-30.)

Point II

On substantially the same facts petitioner was awarded an accounting in the *Reich* case and denied an accounting in this case. The Court of Appeals did not pass on this question in the *Reich* case, but in settling the decree on mandate the District Court (Reeves, D. J.) ordered an accounting over the opposition of defendant's counsel. (See 42 F. Supp. 166, 167.) That decree was entered before the decision of this Court in *Mishawaka Rubber & Woolen Mfg. Co. vs. S. S. Kresge Co.*, 316 U. S. 203, but the ruling was strictly in line with that decision of this Court and was in conformity with the earlier decision of this Court in *Hamilton-Brown Shoe Co. vs. Wolf Bros. & Co.*, 240 U. S. 251, and with the decision of the Sixth Circuit Court of Appeals in *Kresge vs. Champion Spark Plug Co.*, 3 Fed. (2d) 415, both of which cases were cited by Judge Reeves in support of his award of an accounting against Reich.

In directing the lower courts as to the proper scope of the accounting in the *Mishawaka Rubber* case this Court stated (316 U. S. 206):

"* * * Infringement and damage having been found, the Act requires the trade-mark owner to prove only the sales of articles bearing the infringing mark. Although the award of profits is designed to make the plaintiff whole for losses which the infringer has caused by taking what did not belong to him, Congress did not put upon the despoiled the burden—as often as not impossible to sustain—of showing that but for the defendant's unlawful use of the mark, particular customers would have purchased the plaintiff's goods. * * * The burden is the infringer's to prove that his infringement had no cash value in sales made by him. If he does not do so, *the profits made on sales of goods bearing the infringing mark properly belong to the owner of the mark. Hamilton-Brown Shoe Co. vs. Wolf Bros. & Co.*, 240 U. S. 251, 36 S. Ct. 269, 60 L. Ed. 629." (Emphasis ours.)

CONCLUSION

Because of the novelty of the issues of law presented and the direct conflict thereof between two Circuit Courts of Appeals it is earnestly urged that the writ of *certiorari* be granted.

Respectfully submitted,

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